

Message Text

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ACTION EA-12

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FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 9489

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E.O. 11652: GDS
TAGS: EMIN, ENRG, ID
SUBJECT: AMBASSADOR'S MEETING WITH MINISTER OF MINES
AND ENERGY

1. I CALLED ON MINISTER OF MINES AND ENERGY SUBROTO ON
JUNE 12 FOR A GENERAL REVIEW OF ENERGY. THIS MESSAGE
REPORTS HIS COMMENTS ON PROSPECTS FOR THE PETROLEUM
INDUSTRY IN INDONESIA, POSSIBLE U.S.-INDONESIAN COOPERATION
IN THE ENERGY FIELD, AND SALE OF INDONESIAN LNG TO THE
U.S. SEPARATE MESSAGES REPORT ON THE PROPOSED GAO
SURVEY OF PETROLEUM IN INDONESIA AND SELECTION OF A
CONTRACTOR FOR THE BUKIT ASAM COAL MINING PROJECT.

2. SINCE IT HAD TAKEN SOME TIME TO GET THIS APPOINTMENT,
I OPENED THE DISCUSSION BY OUTLINING THE IMPORTANCE WE
ATTACH TO THE DEVELOPMENT OF ENERGY RESOURCES IN INDONESIA
AND THE WAY THE EMBASSY IS ORGANIZED TO HANDLE THE MAJOR
MATTERS UNDER HIS JURISDICTION -- OIL, MINERALS AND ELECTRICITY.
I STRESSED THE NEED FOR CONTINUED CLOSE AND FREQUENT CONTACT
BETWEEN HIS MINISTRY AND THE EMBASSY. SUBROTO FULLY AGREED
AND SAID HE WOULD BE AVAILABLE AT ANY TIME TO DISCUSS MATTERS
WITH ME, AND HIS STAFF WOULD MAINTAIN CLOSE RELATIONS WITH
THE APPROPRIATE EMBASSY OFFICERS.

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3. TURNING TO PETROLEUM IN GENERAL, SUBROTO SAID HE WAS
PLEASED TO FIND, AS A RESULT OF BRIEFINGS AFTER ASSUMING
OFFICE, THAT LONGER TERM PROSPECTS FOR INDONESIAN OIL
ARE ENCOURAGING. HE EXPECTED A "DIP" IN INDONESIAN PRODUCTION
IN 1980-81 BECAUSE OF THE CESSATION OF OIL EXPLORATION DURING THE
PAST SEVERAL YEARS. HOWEVER, NOW THAT EXPLORATORY ACTIVITY IS

RESUMING, HE WAS CONFIDENT THAT PRODUCTION WOULD PICK UP AFTER 1981 AND CONTINUE A STEADY THROUGH UNSPECTACULAR CLIMB. HE FELT THAT MATTERS AFFECTING PETROLEUM WERE IN "GOOD SHAPE". AS A RESULT, HE SAID HE WILL DEVOTE INCREASING ATTENTION TO THE MINERALS SECTOR. HE IS CONCERNED OVER THE LACK OF ADDITIONAL INVESTMENT IN THIS FIELD, AND SAID HE HOPED TO TALK FURTHER WITH ME ABOUT IT AFTER ADDITIONAL DISCUSSIONS WITH HIS OWN STAFF. HE WONDERED, FOR EXAMPLE, WHETHER INDONESIA'S "THIRD GENERATION AGREEMENTS" FOR THE DEVELOPMENT OF MINERAL RESOURCES WERE TOO STIFF. I SAID I WOULD WELCOME THE OPPORTUNITY TO TALK FURTHER ABOUT THIS AS WELL AS OTHER MATTERS HANDLED BY HIS MINISTRY.

4. U.S. ASSISTANCE FOR ENERGY DEVELOPMENT. I TOLD SUBROTO THAT, FOLLOWING VICE PRESIDENT MONDALE'S VISIT, ADDITIONAL U.S.-INDONESIAN COOPERATION IN THE ENERGY FIELD IS POSSIBLE. WE ARE EXPLORING ADDITIONAL AREAS IN WHICH WE MIGHT BE HELPFUL, AND EMBASSY OFFICERS HAVE DISCUSSED THE MATTER WITH SENIOR OFFICIALS OF THE MINISTRY OF MINES AND ENERGY. POSSIBLE AREAS FOR COOPERATION INCLUDE BASIC ECONOMIC STUDIES AND DATA COLLECTION, TECHNICAL CONSULTING AND ENERGY PLANNING. OTHER AREAS MAY EMERGE FROM FUTURE DISCUSSIONS. SUBROTO SAID HE WAS AWARE OF THESE DISCUSSIONS WHICH HAD ALREADY BEEN HELD AND WELCOMED THEM. HE STRESSED THE IMPORTANCE OF DEVELOPING ALTERNATIVE SOURCES OF ENERGY IN INDONESIA AND SAID HE VERY MUCH HOPED FOR

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U.S. ASSISTANCE. HE SUGGESTED THAT IT WOULD BE DESIRABLE FOR A TEAM TO COME FROM WASHINGTON TO DISCUSS THIS MATTER WITH HIS STAFF IN DETAIL. I SAID THIS WAS MUCH IN LINE WITH OUR OWN THINKING AND THAT WE WOULD SOON BE PREPARED TO DISCUSS THIS AND OTHER POSSIBILITIES IN DETAIL. (STATE 148281 ARRIVED THE FOLLOWING DAY, BUT WE NOW HAVE SUBROTO'S AGREEMENT FOR A U.S. TEAM VISIT.)

5. LNG. SUBROTO SAID THE AREA IN WHICH WE COULD BE OF PARTICULAR HELP WAS IN GIVING APPROVAL FOR THE SALE OF LIQUIFIED NATURAL GAS FROM INDONESIA TO THE UNITED STATES. HE ASKED WHERE THIS PROPOSAL STOOD. I OUTLINED THE SITUATION ALONG THE SAME LINES I USED WITH GENERAL HARYONO (JAKARTA 7689). SUBROTO UNDERSCORED THE IMPORTANCE OF RECEIVING FROM THE U.S. SIDE A REACTION TO THE PROPOSAL WHICH PACIFIC LIGHTING HAS TABLED. HE SAID INDONESIA VERY MUCH WANTS TO KEEP THE DOOR OPEN. IF THE PRESENT PROPOSAL IS NOT SATISFACTORY, THEN INDONESIA WILL CONSIDER OTHER POSSIBILITIES. IT IS ESSENTIAL, HOWEVER, FOR THE GOI TO KNOW WHERE IT STANDS.

6. TIM DISPOSALS. SUBROTO SAID THAT INDONESIA HAD BEEN

DESIGNATED BY THE PRODUCING NATIONS TO CONTACT THE UNITED STATES REGARDING PROPOSED SALES FROM OUR TIN STOCKPILES. PRESIDENT SUHARTO HAD RAISED THIS WITH VICE PRESIDENT MONDALE LAST MONTH. HE WAS RAISING IT AGAIN WITH ME, AND AMBASSADOR ASHARI WOULD PROBABLY TAKE THE MATTER UP IN WASHINGTON. SUBROTO SAID HE PLANNED ALSO TO WRITE A LETTER TO UNDER SECRETARY COOPER WHOM HE KNOWS WELL. I SAID THAT THE PROPOSAL FOR U.S. DISPOSALS WAS STILL BEFORE THE CONGRESS. IT SEEMED, HOWEVER, TO BE MOVING FORWARD. AS THE VICE PRESIDENT HAD PROMISED, WE WOULD, IN CARRYING OUT THESE DISPOSALS, KEEP THE VIEWS OF THE PRODUCING NATIONS VERY MUCH IN MIND. SUBROTO EXPRESSED APPRECIATION FOR THIS. HE ASKED WHETHER I THOUGHT IT WOULD BE USEFUL FOR A HIGH LEVEL INDONESIAN DELEGATION TO VISIT WASHINGTON TO DISCUSS THIS

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MATTER FURTHER. I SAID THIS WAS FOR THE GOI TO DECIDE, BUT HE COULD BE ASSURED THAT INDONESIA'S VIEWS HAD ALREADY BEEN BROUGHT OFFICIALLY TO THE ATTENTION OF THE USG BY RAISING IT WITH THE VICE PRESIDENT AND NOW MORE RECENTLY WITH ME. IT MIGHT BE PREFERABLE TO POSTPONE CONSIDERATION OF A VISIT FOR THE PRESENT UNTIL THE SITUATION WAS MORE DEFINITE. SUBROTO NODDED IN THE JAVANESE MANNER, BUT DID NOT CLEARLY INDICATE THAT HE HAD ABANDONED THE IDEA OF A HIGH LEVEL VISIT TO WASHINGTON.

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